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Decision 02-01-034 January 9, 2002

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Southern  
California Water Company (U 133 W) for  
Authority to Establish a Lifeline Rate for  
Residential Domestic Water Service in Region III.

Application 00-09-048  
(Filed September 21, 2000)

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for Southern California Water Company; applicant.  
Deidre Von Rock, and Edward G. Poole, Attorneys at Law,  
for Western Manufactured Housing Communities  
Association; interested parties.

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## **O P I N I O N**

### **1. Summary**

We conclude that the lifeline rate proposal filed by Southern California Water Company (SCWC) at our direction is in the public interest and we approve it for implementation in the utility's Region III. The rate relief program offers all eligible customers a 15% discount on each component of the water bill. SCWC shall file an advice letter for authority to establish the same program in Region II. We direct SCWC to notify its master-meter customers of the lifeline rate program so that submeter customers, who are residents of manufactured housing communities and mobilehome parks (collectively, MHPs) and who meet the eligibility requirements, may receive a 15% discount on their submeter bills.

In SCWC's next Region I general rate case we intend to review in greater detail whether, and if so, how, we might establish a lifeline rate program in the seven, separate districts that comprise Region I. We also intend to review the feasibility of administering the ratemaking for the lifeline rate program on a company-wide basis.

We stress that today's decision is limited to the facts developed on this record. We do not suggest that SCWC's proposal provides a model which we are endorsing for low-income rate relief in all Commission-regulated water utilities.

### **2. Background**

Decision (D.) 00-06-075, which approved the application of SCWC to establish a single set of consolidated tariffs – or “regional rates” – for its Region

III service territory,<sup>1</sup> also ordered SCWC to file this application. The Commission stated:

Cost averaging may not by itself satisfy the Legislature's requirement to make available an adequate supply of healthful water at an affordable cost. (Pub. Util. Code § 701.10.) In response to ratepayer comments at the eight public participation hearings, we are directing SCWC to prepare a lifeline rate plan for Region III to mitigate the effects of high rates on low-income families. We will require SCWC to submit such a plan to the Commission for our review within 90 days of the date of today's decision. (D.00-06-075, *mimeo*, at 29; see also, Ordering Paragraph 4, emphasis added.)

This direction is consistent with Pub. Util. Code § 739.8, effective January 1, 1993, which provides:

739.8. (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.

(b) *The commission shall consider and may implement programs to provide rate relief for low-income ratepayers.*

(c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.

(d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs. (Emphasis added.)

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<sup>1</sup> Region III includes the eight SCWC districts or customer service areas that provide water service to all or portions of the following southern California communities in the Los Angeles area and the surrounding high desert: Barstow, Claremont, Alamosa, Placentia, and Yorba Linda), San Dimas, San Gabriel, and Wrightwood.

Accordingly, on September 21, 2000, SCWC filed this application. As originally filed, the application proposed a lifeline rate program for residential water customers in SCWC's Region III service territory, and requested authority to file for subsequent advice letter approval of similar programs in SCWC's Region I and Region II service territories. Region II includes a number of Los Angeles basin communities, served under separate but consistent tariff schedules.<sup>2</sup> Region I consists of seven disparate community service areas, or districts, in central and northern California.<sup>3</sup>

On December 21, 2000, the Commission issued D.00-12-063, denying SCWC's Application (A.) 98-09-040, which sought authority to implement a regional rate structure in Region I. Since SCWC's voluntary Region I lifeline rate proposal had been conditioned upon establishment of a consolidated tariff schedule there, the Assigned Commissioner granted SCWC's subsequent request to withdraw the Region I proposal, but stated:

However, ORA [the Office of Ratepayer Advocates] may offer testimony in this proceeding to develop the position that the Commission should require SoCalWater [SCWC] to propose a lifeline rate for Region I and may suggest a timeline for the filing of such an application. (February 8, 2001 Assigned Commissioner's Ruling, at 2.)

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<sup>2</sup> Region II, also referred to as the Metropolitan District, provides water service in the cities of Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and in the communities of Athens, Lennox, Moneta, and Willowbrook.

<sup>3</sup> Region I includes the SCWC districts that provide water service to the following communities: Arden-Cordova, Santa Maria, Ojai, Bay Point, Clearlake, Simi Valley and Los Osos.

Evidentiary hearing occurred before the assigned administrative law judge (ALJ) in San Francisco on June 20, 2001. The ALJ submitted this proceeding for decision on August 13, 2001, upon the filing of concurrent reply briefs.

### **3. The Lifeline Rate Proposals**

SCWC and ORA both support establishment of a lifeline rate program for eligible customers in Region III. They also agree that SCWC should file an advice letter to extend the lifeline program we adopt to Region II. As we discuss below, their primary disagreements focus on rate design, certain balancing account issues, and whether the costs of the program should be allocated within each region or on a company-wide basis. The third party in this proceeding, Western Manufactured Housing Communities Association (WMA), intervened to advocate the application of any lifeline program to the submeter customers at MHPs. We address WMA's concerns in Section 5.

SCWC has modeled its proposal for a lifeline water rate program after the California Alternative Rates for Energy (CARE) program that the Commission has approved for energy utilities in accordance with Pub. Util. Code § 739.1. SCWC has experience with CARE because it administers the program through Bear Valley Electric Company, which it owns. SCWC calls its water program proposal California Alternative Rates for Water, or CARW.

Mirroring the CARE program then applicable in the service territories of small energy utilities like Bear Valley Electric Company, SCWC's prepared testimony proposes to set CARW eligibility guidelines at 150% of the federal poverty level. In its proposed testimony, ORA agrees with these guidelines, which use gross annual income and household size to determine customer eligibility. However, effective June 1, 2001, the eligibility guidelines for energy utilities were increased to 175% of the federal poverty level, in accordance

with the procedure established in Commission Resolution E-3524, dated February 19, 1998.<sup>4</sup> In its initial brief, SCWC notes this increase, which became effective after the distribution of prepared testimony in this proceeding, and asks that any water lifeline program incorporate the updated figures. No reason has been argued or established in this proceeding to set different eligibility guidelines for low-income energy and low-income water customers. We will require that eligibility for any SCWC lifeline rate program be based at 175% of the federal poverty level.

Attached as Exhibit B to SCWC's amended application is its draft Form No. 20, the proposed notice and application form for the CARW program. SCWC proposes to mail Form No. 20 to all of its current and future customers. A customer placed on the CARW rate would be required to notify the utility if he or she became ineligible. SCWC's witness' testimony clarifies that all customers on the CARW rate would be required to confirm continuing eligibility at least every two years.

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<sup>4</sup> At 175% of the federal poverty level, the eligibility guidelines include the following criteria for household income and household size:

<u>Number of Persons in Household</u>	<u>Total Gross Annual Income</u>
1-2	\$18,800
3	\$22,250
4	\$26,700
each additional household member	\$4,500

The CARE discount provides low-income customers in the service territories of small energy utilities with 15% rate reduction on each bill component and SCWC has structured the CARW to provide eligible customers with a 15% discount on every component of the water bill, including all surcharges.<sup>5</sup> Attached as Exhibit A to SCWC's amended application is its draft CARW tariff.

ORA disagrees that the rate discount should apply to all bill components. ORA proposes, instead, a discount on the service charge only, calculated as the amount equivalent to 100% of the current service charge for a 5/8 x 3/4 inch meter in each of the eight districts within Region III. Regional rates are being phased-in over three years, so the service charges in these districts still differ at the present time. Because the typical residential meter is a 5/8 x 3/4 inch meter, in most cases ORA's proposal would result in full waiver of the service charge. In Claremont, where the typical meter size is one inch, ORA's proposal would result in a discounted customer charge.

### **Impact of Discount Calculation**

As their testimony makes clear, SCWC and ORA have approached calculation of a lifeline rate, or discount, from quite different perspectives. Their different approaches affect the magnitude of the rate reduction to each eligible customer and the resulting rate impact on other customers.

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<sup>5</sup> D.89-09-044 determined that "[a] 15% discount on the main residential rate is a reasonable benefit to low-income customers". (D.89-09-044, Conclusion of Law #3.) D.01-06-010 increases the CARE discount to 20% in the service territories of the four largest energy utilities. SCWC proposes to increase the CARW discount to 20% if the Commission increases the small energy utility CARE discount to that level.



SCWC describes its proposal as a “customer assistance program intended to provide a measure of rate relief for its low-income customers.” (Switzer prepared testimony, at 2.) This is what the Commission called for in D.00-06-075, SCWC points out, and the utility has responded to that charge by using the Commission-approved lifeline rate program for gas and electric customers as the basis for its CARW. As applied in each of the eight Region III districts, SCWC estimates that the CARW would yield savings to the average, eligible customer of \$6 to \$9 a month. SCWC estimates the cost to nonparticipating customers (residential and commercial) at \$976,473 total (approximately \$916,474 in discounts and \$60,000 for administrative costs), or approximately \$0.036 per ccf, resulting in an additional monthly charge to them of between 1.5% and 2.2%, depending upon the district. In Region II, the estimated benefit is approximately \$8 per month for eligible customers, at a cost to other customers of \$1,682,690 total (approximately \$1,587,690 in discounts and \$95,000 in administrative costs), or \$0.069 ccf, resulting in a bill increase of approximately 3%.

SCWC cautions that actual program costs may differ from its estimates, depending upon the actual rate of participation by eligible customers and actual administrative costs, including those incurred for customer education. In formulating its estimates, SCWC has examined the participation rates and administrative costs for the CARE program offered by Southern California Edison Company (Edison) and Southern California Gas Company (SoCalGas), the energy utilities that serve subsets of SCWC’s customer base. ORA accepts SCWC’s cost estimating methodology.

ORA’s alternative proposal, a discount equivalent to 100% of the service charge for a 5/8 x 3/4 inch meter in each district, would provide eligible

low-income customers in Region III with estimated monthly savings ranging from a low of \$10.95 in Orange County to a high of \$25.15 in Wrightwood. Described as a percentage of the average monthly bill, these discounts range from 17% in Claremont to 61% in Wrightwood. Though this approach would not grant every eligible customer a larger discount than the CARW, the total cost of the approach in each region is about \$700,000 higher than the CARW, as ORA admits. ORA estimates the cost to nonparticipating customers at approximately \$1,659,652 plus administrative costs, or \$0.08 per ccf throughout Region III, resulting in an increase in the average monthly bill of 1.4% to 5%, depending upon the district.<sup>6</sup> In Region II, ORA anticipates a cost of approximately \$2,266,304 plus administrative costs, or \$0.12 per ccf, resulting in a 5.2% increase in the average bill.

Of course, adjusting the eligibility guidelines from 150% to 175% of the federal poverty level will raise the income threshold for eligibility to participate in a lifeline rate program, regardless of the other components of its design. This likely will increase the total number of eligible customers and thus, increase the total cost of the subsidy somewhat.

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<sup>6</sup> Though ORA's testimony indicates that it relied on SCWC's participation rate estimates as well as SCWC's estimates of the number of nonparticipating customers to calculate costs of its lifeline rate proposal, during cross-examination ORA's witness responded that the costs of lifeline rate subsidy programs are borne solely by residential customers. This is not how CARE works, and it is not how SCWC proposes CARW should work. However, ORA's witness testimony raises the specter that the SCWC and ORA cost comparisons actually compare "apples to oranges." While no party has argued this point, if ORA in fact prepared its subsidy costing based on the mistaken assumption that only residential ratepayers pay for low-income rate relief subsidies, the costs of ORA's approach would not be as high as the costs estimated above.

## Discussion

ORA challenges the CARW on a number of grounds, including that it lacks a conservation incentive. SCWC counters that the CARW has been designed as a rate relief program, similar to CARE, and not as a conservation program. Nonetheless, ORA argues, its own service charge discount proposal will encourage conservation, and therefore is superior. While D.00-06-075 does not charge SCWC to develop a conservation program, established legislative policy underscores the importance of water conservation measures in this state.<sup>7</sup> Though not fully developed on the record of this proceeding, ORA's criticism appears to suggest that basic differences between energy rate design and water rate design render CARE an inappropriate model for a lifeline program for water customers and one that violates § 701.10.

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<sup>7</sup> Pub. Util. Code § 701.10, effective January 1, 1993 states:

The policy of the State of California is that *rates and charges* established by the commission *for water service* provided by water corporations *shall do all of the following*:

- (a) Provide revenues and earnings sufficient to afford the utility an opportunity to earn a reasonable return on its used and useful investment, to attract capital for investment on reasonable terms and to ensure the financial integrity of the utility.
- (b) Minimize the long-term cost of reliable water service to water customers.
- (c) *Provide appropriate incentives to water utilities and customers for conservation of water resources.*
- (d) Provide for equity between present and future users of water service.
- (e) Promote the long-term stabilization of rates in order to avoid steep increases in rates.
- (f) Be based on the cost of providing the water service including, to the extent consistent with the above policies, appropriate coverage of fixed costs with fixed revenues. (Emphasis added.)

See also §739.8, quoted in Section 2, above.

Water rate design typically includes a service charge structured to recover at least 50% of the utility's fixed costs and a quantity charge which applies to actual consumption on a volumetric basis. As a conservation incentive, a water utility's rate design may include more than one consumption block or tier, with higher consumption levels subject to higher rates. (See *In re: California-American Water Company, Monterey Division*, D.00-03-053, *mimeo* at 22-25.)

Energy rate design, on the other hand, typically has a much smaller customer charge (the term service charge generally is not used) which is calculated on a per meter per day basis.<sup>8</sup> Consumption is measured by volume, with the lowest rate applying to baseline quantities and higher rates applying to consumption levels (blocks or tiers) greater than baseline.

ORA's argument appears to rely on the perception that customer behavior will be different under the CARW than under the ORA proposal. While the CARW proposal to apply a 15% discount to every bill component, including the quantity charge, may not serve as a significant conservation incentive, the record does not establish that it will promote higher use. By the same token, neither does the record establish that by waiving or substantially discounting the service charge (and thereby leaving the customer to pay only for

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<sup>8</sup> For example, Ex. 101, Edison's current domestic service tariff, has a "basic charge" for a single-family residence of \$0.03300 per meter per day, as well as an "energy charge" which increases in each of four usage tiers above baseline. The tariff also includes a "minimum charge" which applies in defined low-usage circumstances to ensure a degree of fixed-cost recovery. Ex. 102, SoCalGas's current residential service tariff, includes a "customer charge" for individually metered customers of 16.438¢ per meter per day (the "minimum charge" is the same) and a "commodity charge" comprised of procurement and transmission components at baseline and above-baseline rates.

consumption), ORA's lifeline program proposal actually will promote conservation. Logically, if a customer's service charge has been waived, and if the customer then restricts water consumption, the resulting bill will be lower. Thus, as all parties admit, ORA's proposal provides a greater element of cost control to those low-income customers who are able or inclined to minimize consumption. However, for low-income customers with large households and larger water needs, the record is silent whether ORA's proposal provides any conservation incentive.

In California-American Water Company's Monterey district, a service territory plagued by critical supply shortage, the Commission has approved a lifeline rate program that waives the service charge and ORA cites it approvingly. (See 69 CPUC 2d 398, 404 (D.96-12-005), as further revised by D.00-03-053, *mimeo.*) However, that plan, known as the Program for Alternative Rates, or PAR, also includes a quantity charge tied to a carefully developed, inverted block rate structure which ties higher consumption levels to higher rates. All residential customers, not merely the low-income subset, pay higher rates for higher usage.

To date, the Commission has not directed SCWC to develop a conservation plan of this type and at least one customer service area in Region III, Calipatria-Niland, still offers residential service on a flat-rate basis, rather than metered. Under these circumstances, we are not convinced that the limited conservation incentive ORA's plan may offer to some low-income customers makes the plan preferable to the CARW. If ORA or any other party believes a comprehensive conservation plan should be implemented in Region III or any other part of SCWC's service territory, the issue may be raised in an appropriate general rate case proceeding.

ORA also criticizes the CARW for creating a “double subsidy,” which ORA argues is discriminatory. As clarified by ORA’s witness on cross-examination, in ORA’s view the regional rate structure approved in D.00-06-075 creates the first subsidy, which flows from the lower-cost districts to the higher-cost districts within Region III. Imposition of a lifeline rate on top of this regional rate structure creates the second subsidy, which flows from the nonparticipating customers to those who receive the discount. We perceive several problems with this position. First, this proceeding is not the vehicle to revisit our policy to establish a region-wide tariff schedule in Region III. Second, as ORA’s witness admitted, ORA’s argument applies equally to its own proposal, which offers eligible customers in each customer service area a discount on the regional rate those customers would otherwise pay. Thus, for example, an eligible low-income customer in Wrightwood, a high-cost customer service area where rates have been reduced by the regional rate structure adopted in D.00-06-075, would pay still less if a lifeline rate becomes available there.

Finally, ORA argues that its service charge waiver proposal returns lifeline rate design to the cost of service principles which, it contends, the Region III regional rate decision has undermined. The record developed in this proceeding makes clear that ORA continues to disagree with D.00-06-075. For example, ORA’s prepared testimony states:

Though not stated explicitly within the decision [D.00-06-075], ORA assumes that the purpose of the lifeline rate order was to provide relief to low-income ratepayers in every district of Region III and to restore the cost of service concept, in the context of the regional rates. (ORA report at 5-6.)

To the extent this argument is advanced as a collateral attack on D.00-06-075, it is beyond the scope of this proceeding. But to the extent it forms

part of a good faith effort to design a lifeline rate which might be implemented within the approved regional rate structure, it lacks evidentiary support. ORA has not introduced any evidence in this proceeding to substantiate the contention that its service charge waiver proposal pays greater allegiance to cost of service principles than the CARW does, considering the number of unmetered (flat rate) accounts. Moreover, the record contains some evidence that at least part of ORA's proposal is contrary to cost of service principles. In Calipatria-Niland, for example, where approximately 900 of 1,100 customers have flat rate service, ORA would give eligible low-income customers a discount equivalent to the service charge for metered service. But it would levy the cost of the discount, calculated on a cents per ccf basis, against the 200 metered customers only, since these customers pay a quantity charge and flat rate customers -- who may use much more water -- do not.

In sum, on this record we conclude the proposed CARW offers reasonable and even-handed, low-income rate relief on the basis of a 15% reduction of each bill component. We also conclude that the proposed CARW allocates the costs of this discount fairly and equably among nonparticipating customers. We do not suggest that CARW, which is a CARE-based approach, necessarily provides a model for low-income rate relief in all Commission-regulated water utilities of any size. We are persuaded on this record that it is in the public interest to implement CARW in SCWC's Region III and to authorize SCWC to file an advice letter for authority to implement CARW in its Region II.

### **Balancing Account Issues**

SCWC and ORA agree that a CARW balancing account should be established to record the actual costs of providing a rate discount to eligible

customers in Region III (and subsequently, in Region II). Once SCWC has gained experience with the lifeline rate program, it will be able to build program costs, including administrative costs and the revenue shortfall attributable to the discounts, into base rates. Both parties agree that the January 2002 general rate case for Region III will come too soon to provide meaningful experience with the CARW program. They suggest that each balancing account can be eliminated in the first general rate case that occurs after the program has been in existence in a given region for 18 months. This approach appears balanced and the timeline, reasonable.

ORA argues that ultimately, however, the lifeline rate program should be administered, and its costs recovered, on a company-wide basis. We discuss this issue in Section 4, below, together with the related issue of whether SCWC should develop a lifeline rate in Region I.

### **Public Response**

Community response to the lifeline rate application has been limited. The Commission has received several dozen letters from members of the affected communities, some supporting and some opposing establishment of a lifeline rate program. The two public participation hearings, in Apple Valley and Los Angeles, experienced extremely sparse community attendance. At the Apple Valley hearing, a representative of the Barstow Resident Advisory Group, a non-profit, community based organization that works with low-income people, offered support for a lifeline water rate and urged public outreach regarding the new program. SCWC proposes to track public education and outreach as administrative costs in the CARW balancing account.



#### **4. Extending the Lifeline Program to Region I; Company-Wide Ratemaking**

ORA contends that the Commission's denial of SCWC's proposal for regional rates in Region I should not bar development of a lifeline rate there. As ORA points out, eligible low-income customers live in Region I as well as in Regions II and III. SCWC responds that absent a uniform tariff schedule across Region I, the CARW – or any other lifeline rate – is untenable because the discounts provided in any one district would have to be recovered from the relatively small number of nonparticipating customers in that district. Region I has eight districts, some of them quite small (*e.g.* Clearlake has about 2,200 residential customers and Bay, about 4,800) and small, rural districts often have a high concentration of low-income customers. As SCWC asserts, spreading the costs of a lifeline rate program over a large customer base minimizes the direct impact on each of the individual customers charged with funding the subsidy. SCWC has made the case that establishment of a lifeline rate in Region I faces ratemaking complexities that do not exist in Regions II and III. However, SCWC has not made the case that an effective lifeline program cannot be established in Region I. We agree with ORA that this issue should be examined more thoroughly in an appropriate, future proceeding.

We note ORA's suggestion that the ratemaking solution lies in administering the lifeline rate program, for Region I as well as the other two regions, as a company-wide program, with all program costs recovered on that basis. ORA's testimony does not provide a clear explanation, let alone a roadmap, for carrying out this part of its proposal and SCWC counters with a list of ratemaking problems, some which would arise from including the CARW program in the general office rate case proceedings held on a three-year cycle, others from including it in the regional rate cases. On the record developed in

this proceeding, we cannot determine whether it is feasible to transfer CARW program ratemaking from a single region concern to a company-wide one. However, neither do we believe that the parties have analyzed this issue fully.

The next Region I general rate case will provide an opportunity to review options for implementing a lifeline rate program in Region I and for transferring SCWC's lifeline rate program to a company-wide mechanism, together with all implementation details required to assess the merits of these two ideas. Therefore, we direct SCWC to review these issues again in the course of preparing its next Region I general rate case and to address them in its application. Likewise, we expect ORA to review these issues again and to address them in its report on the SCWC application.

## **5. Mobilehome Park Issues**

WMA urges that the Commission extend SCWC's CARW proposal to persons who otherwise meet lifeline rate eligibility requirements and who reside at MHPs with submetered water distribution systems. SCWC agrees. ORA's reply brief states that extending any lifeline rate program to MHPs "is speculative at this time". (ORA reply brief at 4.) Though ORA claims that the evidentiary record has not been developed sufficiently to permit program extension to MHPs, its own witness' testimony suggests the actual problem is that ORA's service charge waiver proposal cannot be implemented readily at many MHPs. The problem arises where a MHP elects to calculate each submeter bill as a pro rata share of the master meter bill.<sup>9</sup> Mechanically, since the MHP

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<sup>9</sup> See D.01-05-058, as modified by D.01-10-024, both of which issued in I.98-12-012, the Commission's review of water and sewer charges at MHPs and multi-unit apartment complexes. These decisions provide an alternative submeter billing option. When capital and operation costs associated with the submeter system are removed from rent,

*Footnote continued on next page*

does not assess a service charge, there is no service charge to waive.

Mathematically, because individual submeter bills calculated on this basis tend to be lower than those calculated by the alternative method, the problem cannot be solved by applying the value of the service charge as a credit against the submeter bill— the result is a “negative” bill, in many cases.

While the record demonstrates a conceptual mismatch between ORA’s lifeline rate and the realities of ratemaking at MHPs, we cannot agree that the solution is to exclude MHP residents from the benefits of low-income rate relief. CARE discounts are available to eligible MHP residents and we see no reason a water rate relief program should not be available to all who meet the criteria for eligibility. Recently, in another proceeding, we clarified that neither of the alternative methods a MHP owner/operator may use to calculate submetered water charges prohibits that owner, as the master-meter customer of the utility, from passing lifeline rate discounts on to eligible submeter customers.

(D.01-10-024, *mimeo* at 9, modifying D.01-05-058 in I.98-12-012.)

WMA’s witness describes the mechanics of calculating the appropriate reduction in the master-meter bill to permit a 15% discount to all eligible MHP residents, as well as the mechanics of flowing that discount through on the submeter bills. The analysis relies on the basic methodology used to calculate the CARE discount to submetered customers for gas and electricity at MHPs. As WMA’s witness explains, two variables must be established: the number of

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the submeter customer may be charged the rate applicable to other residential customers, adjusted to include only a pro rata share of any taxes or special surcharges levied by the utility. (D.01-10-024, *mimeo* at 9, modifying D.01-05-058.)

non-lifeline submeter customers at a MHP and the number eligible for the lifeline discount. Given this information, SCWC can then:

(1) bill the master-meter customers at the usual total volumetric charge and monthly service charge, (2) calculate the average usage per submetered customer, (3) calculate the total discount on the volumetric and service charges for the total of the CARW customers in the park, and (4) then subtract the total discount from the master-meter bill. The master-meter customers will then be compelled to bill the CARW customers at a 15% discount from the usual domestic water rate. (Ex. 100.)

We agree that the CARE program provides a useful model for discounts to submeter water customers. The approach is simple, practical and fair. As with the CARE program, verification requires cooperation between the MHP master-meter customer and SCWC. SCWC commits to provide information, including its tariff sheets and Form No. 20, to its MHP master-meter customers so that they can advise their tenants about the CARW program and its eligibility requirements. Each MHP master-meter customer, in turn, will need to provide SCWC with annually verified counts of the number of submeter customers at the MHP who qualify for a lifeline rate discount under the low-income guidelines approved by the Commission. Considering that SCWC has a customer relationship with the master-meter customers, not the submeter customers, and that the discounts flow through to benefit the submeter customers, we think annual verification is reasonable.

While WMA urges us to follow D.01-06-010, which applies to CARE in the service territories of the four largest energy utilities in California (Pacific Gas and Electric Company, Edison, SoCalGas, and San Diego Gas and Electric Company, and to authorize a 20% rate discount, the record does not provide the data which would enable us to estimate how much this would increase participation levels

and program costs. Once SCWC has gained experience with the CARW we adopt today, we may review whether CARW should follow this aspect of the CARE program, as approved for the service territories of the large energy utilities.

## **6. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d)(1) and Rule 77.1 of the Rules of Practice and Procedure. SCWC and ORA filed comments on November 29, 2001, and SCWC filed reply comments on December 4, 2001.

SCWC's initial comments note that in June of this year the Commission increased the low-income eligibility guidelines for energy utilities to 175% of the federal poverty level and we have revised the body of the decision to acknowledge this revision. ORA's initial comments argue that, by approving SCWC's lifeline rate proposal instead of ORA's, the draft decision rejects conservation as a state policy objective. ORA's comments presuppose two facts that no party established in this proceeding – that ORA's proposal would result in conservation and that SCWC's would not. ORA's comments also ignore significant conceptual defects in its own proposal, specifically that conservation measures should be imposed only on low-income customers (not on customers who can afford to pay full rate) and that eligible residents in mobilehome parks should be excluded from the low-income benefits we adopt today.

## **Findings of Fact**

1. D.00-06-075 directed SCWC to file a lifeline rate plan for its Region III service territory.
2. SCWC's CARW proposal is based on the CARE program currently authorized by the Commission for small energy utilities in that it:

- a. provides a 15% rate reduction to eligible residential customers on each component of the water bill; and
  - b. requires a CARW customer to confirm continuing eligibility at least every two years and to notify the utility if he or she becomes ineligible.
3. SCWC's CARW proposal should set eligibility guidelines at 175% of federal poverty guidelines, which is the level currently applicable to energy utilities in accordance with the procedure established in Resolution E-3524, dated February 19, 1998.
4. In both Regions II and III, the sizeable (15%) discount to eligible CARW customers can be achieved at a relatively modest cost increase (1.5% to 3%) to nonparticipating customers.
5. The record does not establish that SCWC's CARW proposal will increase consumption. To date, the Commission has not directed SCWC to develop a comprehensive conservation plan of the type adopted in California-American Water Company's Monterey district.
6. The record does not establish that the CARW creates an improper double-subsidy to low-income customers.
7. Within 18 months of the establishment of the CARW program, SCWC should gain sufficient program experience to build program cost into base rates and discontinue the CARW balancing account.
8. The record in this proceeding does not permit us to determine whether feasible means exist to establish a lifeline program in Region I.
9. The record in this proceeding does not permit us to determine whether feasible means exist to transfer ratemaking for SCWC's lifeline rate program to a company-wide mechanism.

10. No policy reason exists to bar submeter customers at MHPs, who meet low-come eligibility criteria, from participating in the CARW program.

11. WMA's Ex. 100 describes the steps necessary to extend the CARW program to MHPs, by adjusting the master-meter rate to account for a 15% discount on the bill to all eligible submeter customers and then passing the discount through to those submeter customers.

12. Successful extension of the CARW to MHPs requires the cooperation of MHP master-meter customers.

### **Conclusions of Law**

1. SCWC has complied with D.00-0-075 by filing this application for establishment of the proposed CARW program in Region III.

2. SCWC's CARW program is consistent with Pub. Util. Code §739.8 and is not inconsistent with Pub. Util. Code §701.10.

3. SCWC's CARW proposal for Region III is reasonable and we should adopt it, as in the public interest.

4. SCWC's proposal to file an advice letter for authority to establish CARW program in Region II based on the CARW program adopted for Region III, is reasonable.

5. In order to permit timely establishment of the CARW program in Region III, and the filing of an advice letter for authority to establish the CARW program in Region II, this decision should be effective immediately.

## **O R D E R**

### **IT IS ORDERED** that:

1. The amended application of Southern California Water Company (SCWC) to establish a lifeline water rate known as California Alternative Rates for Water (CARW) in Region III of its service territory is granted. This approval includes:
  - a. the draft CARW tariff attached as Exhibit A to SCWC's amended application, as corrected (i) to require that at least every two years all customers on the CARW rate be required to confirm their continuing eligibility; (ii) to permit a reduction in the bill of master-meter customer at a manufactured housing community or mobilehome park (collectively, MHP) by the amount equal to the lifeline rate discounts to be passed through to eligible submeter customers at the MHP, as described in the text of this decision; and to show the numbers of persons in the household and total gross annual income at 175% of the federal poverty guidelines.
  - b. the proposed notice and application form for the CARW program, Form No. 20, attached as Exhibit B to SCWC's amended application, and as corrected to show the numbers of persons in the household and total gross annual income at 175% of the federal poverty guidelines.
2. SCWC shall establish a CARW balancing account for Region III and record in it the costs of the CARW program, including revenue shortfall attributable to the discounts and administrative costs. The CARW program costs shall be moved into base rates, and the balancing account shall be eliminated, in the first Region III general rate case that occurs after the program has been in existence in the region for 18 months.
3. Within forty-five (45) days of the effective date of this decision, SCWC shall file an advice letter for authority to implement in its Region II service territory the CARW program we approve in this decision.



4. In the next general rate case application for its Region I service territory, SCWC shall review options:

- a. for implementing a lifeline rate program in Region I;  
and
  - b. for transferring the lifeline rate program for all  
regions to a company-wide ratemaking mechanism.
- Application 00-09-048 is closed.

This order is effective today.

Dated January 9, 2002, at San Francisco, California.

LORETTA M. LYNCH  
President  
HENRY M. DUQUE  
RICHARD A. BILAS  
CARL W. WOOD  
GEOFFREY F. BROWN  
Commissioners